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AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

2017 JUN -9 A 11: 23

TOM FORESE - Chairman
BOB BURNS
DOUG LITTLE
ANDY TOBIN
BOYD DUNN

In the matter of:

DOCKET NO. S-21014A-17-0174

Stephen M. Thompson, an unmarried man,

**NOTICE OF OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER TO
CEASE AND DESIST, ORDER FOR
RESTITUTION, ORDER FOR
ADMINISTRATIVE PENALTIES, AND
ORDER FOR OTHER AFFIRMATIVE
ACTION**

Leland Energy, Inc., a Nevada corporation,

Leland Kentucky Holdings, Inc., a Kentucky corporation,

Leland Colorado Holdings, Inc., a Colorado corporation,

Leland Tennessee Holdings, Inc., a Nevada corporation,

The Appalachian Drilling Fund II, LLP, a Colorado limited liability partnership,

Knox Drilling Fund II, LLP, a Colorado limited liability partnership,

Green County Energy Fund, LLP, a Colorado limited liability partnership,

Rodgers Production Revenue Fund, LLP, a Nevada limited liability partnership,

Energy Production Revenue Fund, LLP, a Nevada limited liability partnership,

Block City Drilling Fund, LLP, a Nevada limited liability partnership,

Weld County Drilling Fund, LLP, a Nevada limited liability partnership,

Wattenberg Drilling Fund, LLP, a Nevada limited liability partnership,

Wattenberg Drilling Fund II, LLP, a Nevada limited liability partnership,

Arizona Corporation Commission

DOCKETED

JUN 9 2017

DOCKETED BY

1 Greeley Wattenberg Drilling Fund, LLP, a)
 Nevada limited liability partnership,)
 2 Opportunity Drilling & Acquisition Fund,)
 LLP, a Nevada limited liability partnership,)
 3 Presidents Fund, LLP, a Nevada limited)
 4 liability partnership,)
 5 Leland Energy Fund, LLP, a Nevada limited)
 liability partnership,)
 6 Leland Energy Fund II, LLP, a Nevada)
 7 limited liability partnership,)
 8 Extension Drilling & Revenue Fund, LLP, a)
 Nevada limited liability partnership,)
 9 Kirtan S. Khalsa, an unmarried man, and)
 10 Joseph E. Finateri and Darlene M. Finateri,)
 11 husband and wife,)
 12 Respondents.)
 13

14 **NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING**

15 **EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

16 The Securities Division ("Division") of the Arizona Corporation Commission ("Commission")
 17 alleges that respondents Stephen M. Thompson, Leland Energy, Inc., Leland Kentucky Holdings, Inc.,
 18 Leland Colorado Holdings, Inc., Leland Tennessee Holdings, Inc., The Appalachian Drilling Fund II,
 19 LLP, Knox Drilling Fund II, LLP, Green County Energy Fund, LLP, Rodgers Production Revenue
 20 Fund, LLP, Energy Production Revenue Fund, LLP, Block City Drilling Fund, LLP, Weld County
 21 Drilling Fund, LLP, Wattenberg Drilling Fund, LLP, Wattenberg Drilling Fund II, LLP, Greeley
 22 Wattenberg Drilling Fund, LLP, Opportunity Drilling & Acquisition Fund, LLP, Presidents Fund, LLP,
 23 Leland Energy Fund, LLP, Leland Energy Fund II, LLP, Extension Drilling & Revenue Fund, LLP,
 24 Kirtan S. Khalsa, and Joseph E. Finateri have engaged in acts, practices, and transactions that constitute
 25 violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").
 26

1 The Division also alleges that Stephen M. Thompson is a person controlling Leland Energy, Inc.
2 and that Stephen M. Thompson and Leland Energy, Inc. are persons controlling Leland Kentucky
3 Holdings, Inc., Leland Colorado Holdings, Inc., Leland Tennessee Holdings, Inc., The Appalachian
4 Drilling Fund II, LLP, Knox Drilling Fund II, LLP, Green County Energy Fund, LLP, Rodgers
5 Production Revenue Fund, LLP, Energy Production Revenue Fund, LLP, Block City Drilling Fund,
6 LLP, Weld County Drilling Fund, LLP, Wattenberg Drilling Fund, LLP, Wattenberg Drilling Fund II,
7 LLP, Greeley Wattenberg Drilling Fund, LLP, Opportunity Drilling & Acquisition Fund, LLP,
8 Presidents Fund, LLP, Leland Energy Fund, LLP, Leland Energy Fund II, LLP, and Extension Drilling
9 & Revenue Fund, LLP within the meaning of A.R.S. § 44-1999(B) for their violations of the antifraud
10 provisions of the Securities Act.

11 **I.**

12 **JURISDICTION**

13 1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona
14 Constitution and the Securities Act.

15 **II.**

16 **RESPONDENTS**

17 2. Leland Energy, Inc. ("Leland Energy") is a corporation organized under the laws of the
18 state of Nevada in June 2001.

19 3. Leland Kentucky Holdings, Inc. ("Leland Kentucky") is a corporation organized under
20 the laws of the state of Kentucky in August 2007, and upon information and belief was at all relevant
21 times a wholly owned subsidiary of Leland Energy.

22 4. Leland Colorado Holdings, Inc. ("Leland Colorado") is a corporation organized under
23 the laws of the state of Colorado in May 2010, and upon information and belief was at all relevant times
24 a wholly owned subsidiary of Leland Energy.

1 5. Leland Tennessee Holdings, Inc. ("Leland Tennessee") is a corporation organized under
2 the laws of the state of Nevada in December 2011, and upon information and belief was at all relevant
3 times a wholly owned subsidiary of Leland Energy.

4 6. The Appalachian Drilling Fund II, LLP ("Appalachian Fund") is a limited liability
5 partnership organized under the laws of the state of Colorado in September 2005. Upon information and
6 belief Leland Energy was at all relevant times the managing partner of Appalachian Fund.

7 7. Knox Drilling Fund II, LLP ("Knox Fund") is a limited liability partnership organized
8 under the laws of the state of Colorado in August 2006. Upon information and belief Leland Energy was
9 at all relevant times the managing partner of Knox Fund.

10 8. Green County Energy Fund, LLP ("Green County Fund") is a limited liability
11 partnership organized under the laws of the state of Colorado in March 2006. Upon information and
12 belief Leland Energy was at all relevant times the managing partner of Green County Fund.

13 9. Rodgers Production Revenue Fund, LLP ("Rodgers Fund") is a limited liability
14 partnership organized under the laws of the state of Nevada in October 2007. Upon information and
15 belief Leland Energy was at all relevant times the managing partner of Rodgers Fund.

16 10. Energy Production Revenue Fund, LLP ("Energy Fund") is a limited liability partnership
17 organized under the laws of the state of Nevada in April 2007. Upon information and belief Leland
18 Kentucky was at all relevant times the managing partner of Energy Fund.

19 11. Block City Drilling Fund, LLP ("Block Fund") is a limited liability partnership
20 organized under the laws of the state of Nevada in February 2008. Upon information and belief Leland
21 Kentucky was at all relevant times the managing partner of Block Fund.

22 12. Weld County Drilling Fund, LLP ("Weld Fund") is a limited liability partnership
23 organized under the laws of the state of Nevada in May 2010. Upon information and belief Leland
24 Colorado was at all relevant times the managing partner of Weld Fund.

1 13. Wattenberg Drilling Fund, LLP (“Wattenberg Fund”) is a limited liability partnership
2 organized under the laws of the state of Nevada in December 2010. Upon information and belief Leland
3 Colorado was at all relevant times the managing partner of Wattenberg Fund.

4 14. Wattenberg Drilling Fund II, LLP (“Wattenberg Fund II”) is a limited liability
5 partnership organized under the laws of the state of a Nevada in March 2011. Upon information and
6 belief Leland Colorado was at all relevant times the managing partner of Wattenberg Fund II.

7 15. Greeley Wattenberg Drilling Fund, LLP (“Greeley Fund”) is a limited liability
8 partnership organized under the laws of the state of Nevada in August 2011. Upon information and belief
9 Leland Colorado was at all relevant times the managing partner of Greeley Fund.

10 16. Opportunity Drilling & Acquisition Fund, LLP (“Opportunity Fund”) is a limited
11 liability partnership organized under the laws of the state of Nevada in January 2013. Upon information
12 and belief Leland Tennessee was at all relevant times the managing partner of Opportunity Fund.

13 17. Presidents Fund, LLP (“Presidents Fund”) is a limited liability partnership organized
14 under the laws of the state of Nevada in December 2011. Upon information and belief Leland Tennessee
15 was at all relevant times the managing partner of Presidents Fund.

16 18. Leland Energy Fund, LLP (“Leland Energy Fund”) is a limited liability partnership
17 organized under the laws of the state of Nevada in June 2012. Upon information and belief Leland
18 Tennessee was at all relevant times the managing partner of Leland Energy Fund.

19 19. Leland Energy Fund II, LLP (“Leland Energy Fund II”) is a limited liability partnership
20 organized under the laws of the state of Nevada in July 2012. Upon information and belief Leland
21 Tennessee was at all relevant times the managing partner of Leland Energy Fund II.

22 20. Extension Drilling & Revenue Fund, LLP (“Extension Fund”) is a limited liability
23 partnership organized under the laws of the state of Nevada in June 2013. Upon information and belief
24 Leland Colorado was at all relevant times the managing partner of Extension Fund.

1 21. Stephen M. Thompson ("Thompson") has been an unmarried man and a resident of the
2 state of California since at least December 16, 2005. Upon information and belief Thompson has been
3 the President of Leland Energy at all relevant times.

4 22. Kirtan S. Khalsa ("Khalsa") has been an unmarried man and a resident of the state of
5 California since at least August 4, 2010.

6 23. Joseph E. Finateri ("Finateri") has been a married man and a resident of the state of
7 Nevada since at least November 1, 2011.

8 24. The Appalachian Drilling Fund II, LLP, Knox Drilling Fund II, LLP, Green County
9 Energy Fund, LLP, Rodgers Production Revenue Fund, LLP, Energy Production Revenue Fund, LLP,
10 Block City Drilling Fund, LLP, Weld County Drilling Fund, LLP, Wattenberg Drilling Fund, LLP,
11 Wattenberg Drilling Fund II, LLP, Greeley Wattenberg Drilling Fund, LLP, Opportunity Drilling &
12 Acquisition Fund, LLP, Presidents Fund, LLP, Leland Energy Fund, LLP, Leland Energy Fund II, LLP,
13 and Extension Drilling & Revenue Fund, LLP may be referred to collectively as "Leland Funds."

14 25. Thompson, Leland Energy, Inc., Leland Kentucky Holdings, Inc., Leland Colorado
15 Holdings, Inc., Leland Tennessee Holdings, Inc., the Leland Funds, Khalsa, and Finateri may be referred
16 to collectively as "Respondents."

17 26. None of the Respondents have been registered by the Commission as securities salesmen
18 or dealers, and none of the Respondents' securities have been registered by the Commission.

19 27. Darlene M. Finateri ("Respondent Spouse") was at all relevant times the spouse of
20 Respondent Joseph E. Finateri. Respondent Spouse is joined in this action under A.R.S. § 44-2031(C)
21 solely for purposes of determining the liability of the marital community.

22 28. At all times relevant, Respondent Finateri was acting for his own benefit and for the
23 benefit or in furtherance of his and Respondent Spouse's marital community.

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III.**FACTS**

29. Leland Energy, Inc., Leland Kentucky Holdings, Inc., Leland Colorado Holdings, Inc., Leland Tennessee Holdings, Inc., and the Leland Funds are a group of companies controlled by Thompson. Thompson has signed legal documents on behalf of Leland Energy as its President, and upon information and belief Thompson has been the President of Leland Energy at all relevant times.

The Leland Energy Offerings

30. The Leland Funds are a series of limited liability partnerships located in California that sold partnership equity units to Arizona investors. The Leland Funds, and Leland Tennessee selling a similar product, raised approximately \$3,200,000 from 36 Arizona investors between May 2007 and July 2013. Each Leland Fund pooled its investors' funds to operate oil and gas leases, sell the oil and gas, and then distribute a portion of the sale proceeds to its investors.

31. Leland Energy used cold calls placed by salesmen in California and Nevada to solicit sales of Leland Fund partnership units to Arizona investors. Leland Energy's salesmen spoke positively of Leland Energy and called potential investors repeatedly if necessary. Khalsa and Finateri were salesman who sold Leland Fund units through cold calls to potential Arizona investors.

32. A Leland Energy salesman told at least one Arizona investor in approximately May 2007 that an investment in the Knox Fund would repay his principal with a 30–40% percent return within just a few months. In fact, the \$12,500 Knox Fund investment he made in May 2007 yielded payments for only the first few months, and the payments were only a few hundred dollars each.

33. Another Arizona investor made a \$35,000 investment in the Energy Fund in July 2008. She received small returns from her investment for approximately one year, then received no further payments for her investment.

34. Khalsa told at least one Arizona investor in approximately June 2010 that the Leland Funds had a history of success in drilling oil wells and that the wells always did very well, even though at that time the Knox Fund and the Energy Fund each had at least one investor who had not

1 received any investment returns for approximately a year or more. Khalsa also told the same investor
2 that a Leland Fund investment was a conservative investment when, in fact, the Leland Funds'
3 subscription agreements stated that the investment actually "involves a high degree of risk." Khalsa
4 also told the same investor that Leland Energy had a good reputation and track record, but Khalsa
5 did not tell him about any enforcement actions against Leland Energy.

6 35. Finateri told at least one Arizona investor in approximately November 2011 that the
7 Leland Funds had a 90–95% success rate and would pay a 90% return within the first year and a half
8 of the investment. Finateri told at least one other Arizona investor in approximately September 2012
9 that the Leland Fund oil projects were all doing well and were expected to do well for a long time,
10 even though at that time the Knox Fund and the Energy Fund each had at least one investor who had
11 not received any investment returns for years.

12 36. Leland Energy sent a partnership agreement and subscription agreement to interested
13 Arizona investors for the relevant Leland Fund. For at least five investors, Thompson signed these
14 agreements on behalf of Leland Colorado or Leland Tennessee.

15 37. Each Leland Fund had a partnership agreement and subscription agreement that were
16 substantially similar to those of the other Leland Funds. The Leland Fund partnership agreements
17 stated that investors would be required to "actively participate in important business decisions ... by
18 exercising their voting power." However, the Leland Fund subscription agreements noted that, "as a
19 practical matter it would be difficult for the Partnership to be managed by dozens of Partners," and
20 according to the subscription agreements, investors were not required to have experience in oil and
21 gas drilling, exploration, and operations. In fact, many investors were actually passive investors who
22 did not participate in managing the Leland Funds. The investors' potential control was also limited
23 by the fact that the managing partner of each Leland Fund, namely Leland Energy, Leland Kentucky,
24 Leland Colorado, or Leland Tennessee, could only be removed as the managing partner if they
25 "materially fail[ed] to carry out [their] duties."
26

38. Leland Tennessee also offered investments in a separate program called the Leland Energy Drilling Program ("Drilling Program"). Investors in the Drilling Program received "net revenue interests" entitling them to a percentage of revenue generated by several oil and gas wells that Leland Tennessee operated directly, rather than through a Leland Fund. Leland Tennessee pooled the investments of the Drilling Program investors to fund the operation of the relevant wells. Leland Tennessee had exclusive management power over operation of the relevant wells.

39. Between December 16, 2005, and July 24, 2013, approximately 36 Arizona investors ("Leland Investors") invested in one or more of the Leland Funds and/or the Drilling Program with investments totaling approximately \$3,200,000. The Leland Funds and the Drilling Program had approximately the following number of Arizona investors:

<u>Fund/Program</u>	<u>Investors</u>	<u>Fund/Program</u>	<u>Investors</u>
Appalachian Fund	6	Wattenberg Fund II	7
Knox Fund	2	Greeley Fund	7
Green County Fund	4	Opportunity Fund	3
Rodgers Fund	3	Presidents Fund	2
Energy Fund	3	Leland Energy Fund	3
Block Fund	3	Leland Energy Fund II	2
Weld Fund	6	Extension Fund	1
Wattenberg Fund	4	Drilling Program	7

40. Some Leland Investors were not accredited investors at the time they invested.

41. To date, Leland Investors have collectively received repayments of at least \$106,400 plus additional partial repayments of an unknown total amount.

Prior Enforcement Actions

42. On June 2, 1983, the Federal Trade Commission ("FTC") filed a civil complaint against Thompson and other parties in the District Court for the Central District of California alleging that they engaged in deceptive acts and practices in violation of the Federal Trade Commission Act.

1 The FTC alleged that in connection with marketing investment opportunities in oil and gas leases,
2 Thompson misrepresented the past success of the investments, the value of the investments, and
3 customer satisfaction with the investments. Without admitting the underlying facts, Thompson settled
4 the case and stipulated to an order ("FTC Order") permanently enjoining him from misrepresenting
5 the past success, likely future success, or rate of return of any investment program or business
6 opportunity. A federal bankruptcy court later examined the merits of the FTC's allegations, and found
7 that Thompson knew that the representations made in connection with the investment opportunities
8 in oil and gas leases were false.

9 43. On September 5, 2002, Thompson and Leland Energy consented to orders by the
10 Wisconsin Department of Financial Institutions, Securities Division, ("Wisconsin Order")
11 prohibiting them from offering or selling any unregistered securities to any person in Wisconsin. The
12 Wisconsin Department of Financial Institutions alleged that a salesman acting on behalf of Thompson
13 and Leland Energy made a cold call to a Wisconsin resident to offer securities, namely equity units
14 in an oil and gas limited liability partnership.

15 44. On February 9, 2011, the California Department of Corporations issued a temporary
16 order ("California Order") alleging that Thompson, Leland Energy, Leland Kentucky, Appalachian
17 Fund, Block Fund, Energy Fund, Green County Fund, Knox Fund, and Rodgers Fund sold securities
18 in the form of limited liability partnership units to at least forty two California investors and that they
19 omitted material facts needed to make statements they made not misleading in light of the
20 circumstances under which they were made, including omitting the Wisconsin Order. The same
21 parties stipulated in January 2012 to a settlement agreement in which they agreed to pay restitution
22 of \$1,360,000.

23 45. In March 2000, Finateri pleaded guilty in the District Court for the Western District
24 of North Carolina to conspiracy to defraud the United States in violation of 18 U.S.C. § 371 and was
25 sentenced to twenty three-months in prison and ordered to pay restitution of \$14,000,000.

26 46. The Respondents failed to disclose the FTC Order to Leland Investors.

49. Thompson, Leland Energy, Leland Colorado, Leland Tennessee, Greeley Fund, and Finateri each failed to disclose Finateri's fraud conviction to at least one Leland Investor whom Finateri solicited to invest.

IV.

(Offer or Sale of Unregistered Securities)

55. Leland Tennessee offered or sold securities in the form of investment contracts within or from Arizona from on or about April 11, 2012, to on or about June 20, 2013.

1 56. Appalachian Fund offered or sold securities in the form of investment contracts within
2 or from Arizona from on or about December 16, 2005, to on or about January 31, 2006.

3 57. Knox Fund offered or sold securities in the form of investment contracts within or from
4 Arizona from on or about September 11, 2006, to on or about May 23, 2007.

5 58. Green County Fund offered or sold securities in the form of investment contracts within
6 or from Arizona from on or about July 11, 2007, to on or about September 1, 2008.

7 59. Rodgers Fund offered or sold securities in the form of investment contracts within or
8 from Arizona from on or about November 5, 2007, to on or about December 7, 2007.

9 60. Energy Fund offered or sold securities in the form of investment contracts within or from
10 Arizona from on or about February 29, 2008, to on or about December 3, 2008.

11 61. Block Fund offered or sold securities in the form of investment contracts within or from
12 Arizona from on or about March 11, 2008, to on or about July 24, 2008.

13 62. Weld Fund offered or sold securities in the form of investment contracts within or from
14 Arizona from on or about August 4, 2010, to on or about January 11, 2011.

15 63. Wattenberg Fund offered or sold securities in the form of investment contracts within or
16 from Arizona from on or about February 7, 2011, to on or about March 31, 2011.

17 64. Wattenberg Fund II offered or sold securities in the form of investment contracts within
18 or from Arizona from on or about March 31, 2011, to on or about November 4, 2011.

19 65. Greeley Fund offered or sold securities in the form of investment contracts within or
20 from Arizona from on or about September 14, 2011, to on or about June 7, 2012.

21 66. Opportunity Fund offered or sold securities in the form of investment contracts within
22 or from Arizona from on or about February 27, 2012, to on or about March 11, 2013.

23 67. Presidents Fund offered or sold securities in the form of investment contracts within or
24 from Arizona from on or about April 11, 2012, to on or about August 2, 2012.

25 68. Leland Energy Fund offered or sold securities in the form of investment contracts within
26 or from Arizona from on or about June 29, 2012, to on or about July 23, 2012.

69. Leland Energy Fund II offered or sold securities in the form of investment contracts within or from Arizona from on or about September 11, 2012, to on or about October 1, 2012.

70. Extension Fund offered or sold a security in the form of an investment contract within or from Arizona on or about July 24, 2013.

71. Khalsa offered or sold Weld Fund, Wattenberg Fund, Wattenberg Fund II, Greeley Fund, Leland Energy Fund, Leland Energy Fund II, and Drilling Program securities in the form of investment contracts within or from Arizona from on or about August 4, 2010, to on or about April 27, 2012.

72. Finateri offered or sold Greeley Fund, Opportunity Fund, and Drilling Program securities in the form of investment contracts within or from Arizona from on or about December 31, 2011, to on or about February 11, 2013.

73. The securities referred to above were not registered pursuant to Articles 6 or 7 of the Securities Act.

74. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

75. Respondents offered or sold securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

76. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

77. In connection with the offer or sale of securities within or from Arizona, Respondents directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in

1 transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon
2 offerees and investors. Respondents' conduct includes, but is not limited to, the following:

3 a) Khalsa and Leland Energy misrepresented to at least one Leland Investor that
4 Leland Energy had a history of success in drilling oil wells and that the wells always did very well when,
5 in fact, the Knox Fund and Energy Fund had each failed to make any payments to at least one Leland
6 Investor for approximately a year or more;

7 b) Khalsa and Leland Energy misrepresented to at least one Leland Investor that a
8 Leland Fund investment was a conservative investment when, in fact, a Leland Fund investment actually
9 involved a high degree of risk;

10 c) Finateri and Leland Energy misrepresented to at least one Leland Investor that
11 the Leland Energy oil projects were all doing well when, in fact, the Knox Fund and Energy Fund had
12 each failed to make any payments to at least one Leland Investor for years;

13 d) The Respondents failed to disclose the FTC Order to Leland Investors;

14 e) Thompson, Leland Energy, Leland Kentucky, Leland Colorado, Appalachian
15 Fund, Knox Fund, Green County Fund, Rodgers Fund, Energy Fund, Block Fund, Weld Fund,
16 Wattenberg Fund, and Khalsa failed to disclose the Wisconsin Order to Leland Investors;

17 f) Thompson, Leland Energy, Leland Colorado, Leland Tennessee, Wattenberg
18 Fund, Wattenberg Fund II, Greeley Fund, Opportunity Fund, Presidents Fund, Leland Energy Fund,
19 Leland Energy Fund II, Extension Fund, and Finateri failed to disclose to Leland Investors that the
20 California Order alleged misleading material omissions by Thompson, Leland Energy, and several
21 Leland Funds; and

22 g) Thompson, Leland Energy, Leland Colorado, Leland Tennessee, Greeley Fund,
23 and Finateri failed to disclose Finateri's fraud conviction to at least one Leland Investor.

24 78. This conduct violates A.R.S. § 44-1991.
25
26

VII.**CONTROL PERSON LIABILITY PURSUANT TO A.R.S. § 44-1999**

79. At all relevant times, Thompson directly or indirectly controlled Leland Energy within the meaning of A.R.S. § 44-1999. Therefore, Thompson is jointly and severally liable to the same extent as Leland Energy for its violations of A.R.S. § 44-1991 from at least December 16, 2005 through at least July 24, 2013.

80. At all relevant times, Thompson and Leland Energy directly or indirectly controlled Leland Kentucky, Leland Colorado, Leland Tennessee, Appalachian Fund, Knox Fund, Green County Fund, Rodgers Fund, Energy Fund, Block Fund, Weld Fund, Wattenberg Fund, Wattenberg Fund II, Greeley Fund, Opportunity Fund, Presidents Fund, Leland Energy Fund, Leland Energy Fund II, and Extension Fund within the meaning of A.R.S. § 44-1999. Therefore, Thompson and Leland Energy are jointly and severally liable to the same extent as those companies for their violations of A.R.S. § 44-1991 from at least December 16, 2005 through at least July 24, 2013.

VIII.**REQUESTED RELIEF**

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. § 44-2032;

2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;

3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

4. Order that the marital communities of Respondent Finateri and Respondent Spouse be subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action pursuant to A.R.S. § 25-215; and

1 5. Order any other relief that the Commission deems appropriate.

2 **IX.**

3 **HEARING OPPORTUNITY**

4 Each respondent, including Respondent Spouse, may request a hearing pursuant to A.R.S. § 44-
5 1972 and A.A.C. R14-4-306. **If a Respondent or a Respondent Spouse requests a hearing, the**
6 **requesting respondent must also answer this Notice.** A request for hearing must be in writing and
7 received by the Commission within 10 business days after service of this Notice of Opportunity for
8 Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona
9 Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be
10 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at
11 <http://www.azcc.gov/divisions/hearings/docket.asp>.

12 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20
13 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or
14 ordered by the Commission. If a request for a hearing is not timely made the Commission may, without
15 a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for
16 Hearing.

17 Persons with a disability may request a reasonable accommodation such as a sign language
18 interpreter, as well as request this document in an alternative format, by contacting Kacie Cannon,
19 ADA Coordinator, voice phone number (602) 542-3931, e-mail kcannon@azcc.gov. Requests should
20 be made as early as possible to allow time to arrange the accommodation. Additional information
21 about the administrative action procedure may be found at
22 <http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>.

23 **X.**

24 **ANSWER REQUIREMENT**

25 Pursuant to A.A.C. R14-4-305, if a Respondent or a Respondent Spouse requests a hearing,
26 the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing

1 to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona
2 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be
3 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site
4 at <http://www.azcc.gov/divisions/hearings/docket.asp>.


5 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant
6 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
7 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007,
8 addressed to Paul Kitchin.

9 The Answer shall contain an admission or denial of each allegation in this Notice and the
10 original signature of the answering respondent or respondent's attorney. A statement of a lack of
11 sufficient knowledge or information shall be considered a denial of an allegation. An allegation not
12 denied shall be considered admitted.

13 When the answering respondent intends in good faith to deny only a part or a qualification of
14 an allegation, the respondent shall specify that part or qualification of the allegation and shall admit
15 the remainder. Respondent waives any affirmative defense not raised in the Answer.

16 The officer presiding over the hearing may grant relief from the requirement to file an Answer
17 for good cause shown.

18 Dated this 9th day of June, 2017.

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21 Matthew J. Neubert
22 Director of Securities
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